

BEFORE THE STATE BOARD OF EQUALIZATION
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of

JACK W, AND RUTH SIMPSON

Appearances: , , ,

For Appellants: Donald D. Boscoe, Attorney at Law

For Respondent: Peter S. Pierson, Associate Tax.
Counsel

OPINION:

This appeal is made pursuant to section 18594 of the Revenue and Taxation Code from the action of the Franchise Tax Board on the protests of Jack W. and Ruth Simpson to proposed assessments of additional personal income tax in the amounts of \$615.25, \$682.98, \$559.24, \$486.31 and \$395.56 for the years 1955; 1956, 1957, 1958 and 1959, respectively.

This is a companion appeal to the Appeal of Simpson's, Inc., this day decided. Respondent disallowed, certain business expense deductions claimed by Simpson's, Inc., as being expenditures **for** the, personal benefit of its president and vice president-, appellants Jack W. and Ruth Simpson, respectively. The amounts disallowed for that reason were included as dividend income to appellants, who had filed joint returns. In our decision in Appeal of Simpson's, Inc., we increased respondent's allowance of the travel and entertainment expense deductions claimed by the corporation and sustained respondent. in disallowing certain claimed deductions for automobile, expenses.

The sole question presented by this appeal is whether the amounts of the claimed deductions disallowed to the corporation, as being for the personal benefit of appellants

Appeal of Jack W. and Ruth Simpson

are **includible** in appellants' taxable income,

With the exception of some expense items incurred in the securing of new leases, all the disallowed items constituted distributions of corporate **income** for the personal benefit of appellants, and should therefore be treated as income upon which appellants are subject to **tax**. (Rev. & Tax. Code, § 17071; Appeal of Howard N. and Thelma Gilmore, Cal. St. Bd. of Equal., Nov. 7, 1961; Max P. Lash, T.C. Memo., Dkt. No. 48408, April 17, 1956, aff'd on this point, 245 F.2d 20; American Properties, Inc., 28 T.C. 1100, aff'd 262 F.2d 150,) Since we have increased respondent's determination of the amount of expenses attributable to business purposes of the corporation, the assessments **here; involved will be correspondingly reduced.**

O R D E R

Pursuant to the views expressed in the opinion of the board **on file** in this proceeding, and good cause appearing **therefor,**

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, pursuant to section **18595** of the Revenue and Taxation Code, that the action of the Franchise Tax Board on **protests to proposed** assessments of additional personal income tax against Jack W. and Ruth Simpson **in the amounts of \$615.25, \$682.98, \$559.24,**

Appeal of Jack W. and Ruth Simpson

\$486.31 and \$395.56 for the years 1955, 1956, 1957, 1958 and, 1959, respectively, be and the same is hereby modified in, **accordance** with the opinion of the board.

Done at Sacramento, California, this 3d day of February, 1965, by the State Board of Equalization.

John W. Lynch, Chairman
Richard Allen, Member.
Bob Kelly, Member
_____, Member
_____, Member

ATTEST: M. Hearn, Secretary